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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 000679

SENSITIVE
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STATE FOR EAP/CM, NEA/IR, EEB/ESC, INR/EAP, INR/NEA

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TAGS: [ECON](#) [EPET](#) [EINV](#) [ENRG](#) [PREL](#) [PARM](#) [PTER](#) [MNUC](#) [POL](#)

IR, CH

SUBJECT: PRC/IRAN: REPORTED SOUTH PARS LNG DEAL NOT
OFFICIALLY CONFIRMED

REF: A. 07 BEIJING 7445

[1](#)B. 08 BEIJING 1073

[1](#)C. 08 BEIJING 1432

[1](#)D. 08 BEIJING 4097

[1](#)E. 08 BEIJING 4526

[1](#)F. 08 BEIJING 4569

Classified By: Economic Minister Counselor Robert S. Luke for reasons 1
.4 b/d

Summary

[1](#)1. (C) Citing Iranian media, international and Chinese media outlets are reporting that a consortium of three unnamed Chinese oil and gas companies have signed a USD 3.2 billion deal with Iran to produce 10.5 million tons of liquefied natural gas (LNG) per year in Iran's South Pars gas field. Details about the reported deal remain unclear, however, as officials from China's National Energy Administration and the three major state-owned oil and gas companies would not offer comment, with several stating that they had no knowledge of the reports. End summary.

Iran announces major LNG deal with Chinese consortium

[1](#)2. (SBU) Iran's state-run media reported March 14 that Iran and China had signed a USD 3.2 billion deal to produce 10.5 million tons of liquefied natural gas (LNG) per year in the South Pars gas field. According to Iranian reports cited widely by the international press, a consortium of three unnamed Chinese companies would finance and implement the project, which would reportedly include "building gas liquefying lines in phase 12 and another block of South Pars." The project would be carried out in two stages, each of which would be completed in three years. Iranian sources also claimed that an unnamed European firm would join the project within three months. Chinese language press coverage of the deal repeated statements from the Iranian press. One Chinese report (Global Times) added that the "purely commercial activities have been portrayed by the Western media with a political color."

Chinese government, oil companies silent on the deal

[1](#)3. (C) EconOff contacted officials at China's National Energy Administration (NEA), China National Petroleum Corporation

(CNPC), China Petrochemical Corporation (Sinopec), and China National Offshore Oil Company (CNOOC) on March 16 to discuss the media reports. Officials at NEA's International Cooperation Division and Oil and Gas Division told EconOff that they had not heard about the reports and could not comment on them. EconOff provided copies of press articles about the deal to NEA Oil and Gas Division official Wang Jing, who stated that she would seek official guidance and offer a response at a later time. Ministry of Foreign Affairs officials were not available for comment.

14. (C) Aware of the press reports on the deal, CNOOC External Affairs official Lu Xiaofeng asserted that "he did not think CNOOC was involved in South Pars," though he noted that CNOOC was still in discussions with Iran regarding a project in North Pars (ref F). Sinopec Foreign Affairs Bureau official Fan Liping told EconOff he could not comment on the deal, as he had "not seen the reports." CNPC International Cooperation Department representative Wang Zhineng also stated that he had not seen the reports, but offered to respond after receiving official guidance from headquarters. (Note: In early February, CNPC officials offered to take questions from EconOff regarding CNPC's activities in Iran's North Azadegan oil fields, but they have not yet provided a response. End Note.)

Consortium membership still unclear

15. (C) Arthur Yan (strictly protect) of Cambridge Energy Research Associates' (CERA) Beijing office told EconOff he remains skeptical about the Iranian media reports and unsure

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which three Chinese companies would be involved in the consortium. Yan, who also serves as an advisor to Chinese oil companies, reported that the announcement came as a surprise to him, as Chinese discussions with Iran on LNG deals had been moving ahead very slowly.

16. (C) Beijing-based Dow Jones reporter David Winning (strictly protect) also stated that the three consortium member companies remained unclear. Winning noted that CNPC's engagement with Iran in South Pars dates back to 2005, when it agreed to partner with Total to ship South Pars LNG to China's Tangshan Port. "Total dragged its feet," however, and the deal never went forward, he explained. Winning speculated that Sinopec could also have an interest in the consortium, as it has two LNG terminals to supply in China. He pointed out, however, that Papua New Guinea and Australia would likely be more attractive LNG suppliers than Iran due to their proximity to China. In Winning's view, CNOOC was the least likely major Chinese oil company to be involved in a South Pars consortium, as it is already in discussions with Iran regarding a North Pars project and to his knowledge, CNOOC had not been considering involvement in South Pars. Regarding China's intentions in Iran, Winning believes China intends to "keep the iron in the fire," but will not move forward quickly with projects in Iran. "If Chinese companies had intended to make rapid progress in Iran, they could have done so years ago," he argued.

Comment

17. (C) Whether for political reasons or to put pressure on Chinese companies to finalize hydrocarbons deals in Iran, it has become a routine practice for the Iranian media to announce energy agreements between Iranian and Chinese state-owned companies well before the details of such agreements have been finalized. Chinese companies are typically reluctant to comment on the Iranian media statements, perhaps in order to avoid drawing additional attention to the deals. The lack of details surrounding the latest round of announcements could indicate that this deal is still at a very early stage. Post will continue to follow up and seek confirmation and details regarding the announcement. End Comment.

